

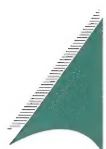
PIONEER VALLEY TRANSIT AUTHORITY

**Financial Statements and
Supplementary Information**

June 30, 2014

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Adelson & Company PC

CERTIFIED PUBLIC ACCOUNTANTS

Established 1938

Richard F. LaFleche, CPA
 Vincent T. Viscuso, CPA
 Gary J. Moynihan, CPA
 Carol Leibinger-Healey, CPA
 David M. Irwin, Jr., CPA

INDEPENDENT AUDITORS' REPORT

To the Advisory Board of the
PIONEER VALLEY TRANSIT AUTHORITY
 2808 Main Street
 Springfield, MA 01107

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Pioneer Valley Transit Authority as of and for the year ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise Pioneer Valley Transit Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Pioneer Valley Transit Authority as of June 30, 2014, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

100 NORTH STREET, PITTSFIELD, MA 01201, PHONE (413) 443-6408, FAX (413) 443-7838
 21 MECHANIC STREET, GREAT BARRINGTON, MA 01230, PHONE (413) 528-5699, FAX (413) 528-5626
 WWW.ADELSONCPA.COM ■ EMAIL: INFO@ADELSONCPA.COM

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on page 4, budgetary comparison information on pages 6 and 7, and the schedule of pension and retiree health plan funding progress information on pages 30 and 31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Pioneer Valley Transit Authority's basic financial statements. The supplementary information starting on page 32 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2014, on our consideration of Pioneer Valley Transit Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pioneer Valley Transit Authority's internal control over financial reporting and compliance.

Adelson + Company PC

ADELSON & COMPANY PC

September 15, 2014

PIONEER VALLEY TRANSIT AUTHORITY

Management's Discussion and Analysis

For the Year Ended June 30, 2014

As the Administrator of the Pioneer Valley Transit Authority (the Authority), I offer readers of the Authority's financial statements this overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2014.

Financial Highlights

- The assets of the Authority exceeded its liabilities at June 30, 2014 by \$56,335,146.
- The Authority's total net position increased by \$4,807,895 in fiscal year 2014 as shown below:

	<u>6/30/2014</u>
Increase in other post employment benefits as required by GASB 45	\$ (2,138,796)
Increase in reserves for extraordinary expenses	<u>206,801</u>
Loss before capital and other items	(1,931,995)
Contributed capital	11,315,006
Depreciation on capital assets	(10,640,268)
State payment of prior years' deficits	<u>6,065,152</u>
Increase in net position	<u>\$ 4,807,895</u>

- The total operating revenue increased \$78,858 from fiscal year 2013.
- The operating expenses increased \$1,410,953 or 3.5% from fiscal year 2013.
- The Authority expended \$11,315,006 on capital assets.

The Authority's operations are funded annually through a state required computation of the net cost of service. Except for the establishment of a restricted reserve, as allowed under Massachusetts General Laws, the Authority's funding cannot exceed its net cost of service.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements, which consist of the Statement of Net Position, Statement of Revenues, Expenses and Changes in Fund Net Position, Statement of Cash Flows and Notes to the Financial Statements. The Authority is a special purpose government engaged only in business-type activities. As such, its financial statements consist of only those required for enterprise funds and notes to the financial statements.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the financial statements can be found on pages 9 through 29 of this report.

PIONEER VALLEY TRANSIT AUTHORITY

Management's Discussion and Analysis

For the Year Ended June 30, 2014

In addition to the basic financial statements and accompanying notes, this report also presents pension funding progress and retiree health plan funding progress which is required supplemental information. The required supplementary information can be found on pages 30 and 31 of this report.

Government Financial Analysis

The Authority's net position consists almost exclusively of its net investment in capital assets (e.g. land, construction in progress, buildings, revenue vehicles and equipment); less any related debt used to acquire those assets that are still outstanding. The Authority uses these capital assets to provide fixed route and paratransit services to individuals within its service area; consequently, these net assets are not available for future spending. Although the Authority's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt, if any, must be provided from other sources, since the capital assets themselves can not be used to liquidate these liabilities. The Authority currently has no capital lease obligations or capital debt.

Summary of Net Position

	<u>6/30/2014</u>	<u>6/30/2013</u>
Total current assets	\$ 42,909,459	\$ 37,969,455
Investment in Holyoke Intermodal Facility, LLC	4,056,365	4,091,077
Property and equipment, net	<u>63,907,862</u>	<u>63,237,601</u>
Total assets	110,873,686	105,298,133
 Total liabilities	 <u>54,538,540</u>	 <u>53,770,882</u>
 Investment in capital assets, net of related debt	 67,964,227	 67,328,678
Restricted reserve	884,105	677,304
Unrestricted	<u>(12,513,186)</u>	<u>(16,478,731)</u>
 Total net position	 <u>\$ 56,335,146</u>	 <u>\$ 51,527,251</u>

Net assets may serve over time as a useful indicator of a financial position. The Authority's assets exceeded its liabilities by \$56,335,146 at the close of fiscal year 2014.

An additional portion of the Authority's net position, shown as "restricted reserve", represents resources that are subject to approval of the Secretary of Transportation. As of June 30, 2014, the Authority's reserve for extraordinary expenses was \$884,105.

Unrestricted net position represents funds that may be used to fund current operations. During fiscal year 2014, the Authority's unrestricted net position increased a net amount of \$3,965,545 from fiscal year 2013 for a total negative unrestricted balance of \$(12,513,186) at June 30, 2014. The details of this increase can be found in Note 9 on page 17 of the financial statements.

PIONEER VALLEY TRANSIT AUTHORITY

Management's Discussion and Analysis

For the Year Ended June 30, 2014

Summary of Statement of Revenues, Expenses and Changes in Fund Net Position

	6/30/2014	6/30/2013	Increase (Decrease)
Total operating revenues	\$ 7,485,289	\$ 7,406,431	\$ 78,858
Total operating expenses	41,695,467	40,284,514	1,410,953
Operating income (loss)	(34,210,178)	(32,878,083)	(1,332,095)
Total non-operating revenues (expenses)	32,278,183	30,929,585	1,348,598
Income (loss) before capital contributions and other items	(1,931,995)	(1,948,498)	16,503
Capital contributions	11,315,006	10,335,601	979,405
Nonreimbursable depreciation	(10,640,268)	(9,758,953)	(881,315)
State forward funding of prior years deficits	6,065,152	---	6,065,152
Change in net position	4,807,895	(1,371,850)	6,179,745
Net position, beginning	51,527,251	52,899,101	(1,371,850)
Net position, ending	\$ 56,335,146	\$ 51,527,251	\$ 4,807,895

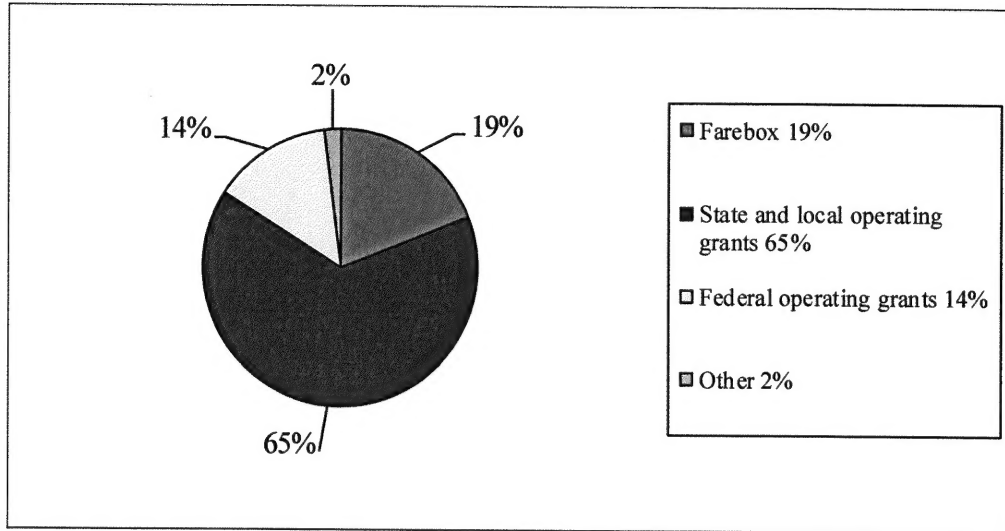
Operating revenues increased \$78,858 from the prior year.

Operating expenses increased \$1,410,953 or 3.5% from the prior year; fixed route service increased \$583,379 from fiscal year 2013 mainly due to increased costs associated with contract labor and related fringes and diesel fuel; para-transit services increased \$427,162 from fiscal year 2013 primarily due to insurance claims and increased contracted service costs; shuttle service decreased \$(1,053) from fiscal year 2013; administrative salaries and fringe benefits increased by \$388,390 from fiscal year 2013 primarily due to an increase in pension costs as the Authority contributed the maximum allowed to the pension plan.

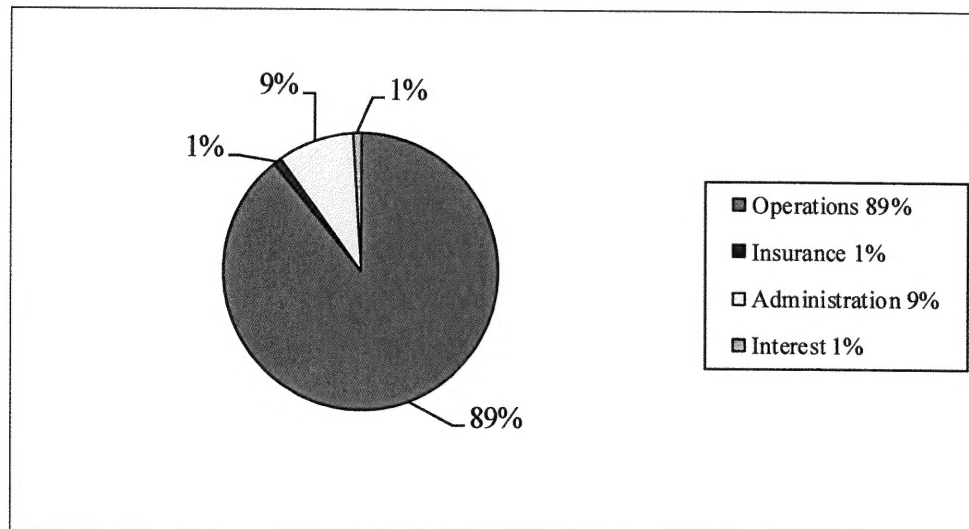
During fiscal year 2014 the Massachusetts Department of Transportation awarded state operating assistance for forward funding in the amount of \$6,322,049. Of this amount, \$6,065,152 was applied to the Authority's prior years' unfunded deficits, and \$256,897 was used toward repaying a portion of the interest expense of the Authority's revenue anticipation note due on July 25, 2014.

PIONEER VALLEY TRANSIT AUTHORITY**Management's Discussion and Analysis****For the Year Ended June 30, 2014**

Total Operating and Non-operating
Revenues of \$39,953,710 by Source



Total Operating and Non-operating
Expenses of \$41,885,705 by source



PIONEER VALLEY TRANSIT AUTHORITY

Management's Discussion and Analysis

For the Year Ended June 30, 2014

Budget vs. Actual - an analysis of significant budget variances (budget versus actual results), including reasons for the variances that may affect future services or liquidity is as follows:

Revenues

Fare revenues

	FY2014 Actual	FY2014 Budget	Variance + (-)
Fixed route income	\$ 6,774,805	\$ 6,817,925	\$ (43,120)
Paratransit income	678,258	657,070	21,188
Shuttle service income	32,226	30,696	1,530
Total operating income	<u>\$ 7,485,289</u>	<u>\$ 7,505,691</u>	<u>\$ (20,402)</u>

Government assistance

	FY2014 Actual	FY2014 Budget	Variance + (-)
Federal assistance	\$ 5,795,128	\$ 6,172,542	\$ (377,414)
State contract assistance	18,781,087	18,781,087	---
Local assistance	7,065,703	7,065,703	---
Other assistance	360,713	110,000	250,713

The final Federal Assistance number came in under the budgeted amount by \$377,414. The Authority additional other assistance of \$235,494 from the Massachusetts Department of Transportation as part of the forward funding and \$15,219 from Massachusetts for a para-transit study. The Authority also receives \$110,000 in other assistance from the State to fully fund transportation services provided to Stoneybrook.

Local assistance is the funding received from all of the Authority's communities and is capped at a 2.5% increase each fiscal year.

PIONEER VALLEY TRANSIT AUTHORITY

Management's Discussion and Analysis

For the Year Ended June 30, 2014

Other revenues

	FY2014 Actual	FY2014 Budget	Variance + (-)
Advertising	\$ 363,859	\$ 218,450	\$ 145,409
Other income	60,342	83,447	(23,105)
Interest income	41,589	33,159	8,430

Advertising revenue was over budget by \$145,409 mainly due to a large advertising contract entered into early in the year which was not included in the budget.

Expenses

	FY2014 Actual	FY2014 Budget	Variance + (-)
Fixed route service	\$ 29,308,748	\$ 27,616,904	\$ (1,691,844)
Paratransit service	8,114,630	8,037,658	(76,972)
Shuttle service	263,955	273,620	9,665
Administrative salaries, taxes and fringe benefits	2,407,824	2,145,302	(262,522)
Other administrative expenses	1,595,833	1,484,095	(111,738)

Fixed route costs exceeded budget primarily because of the increase in the accrual required under GASB 45 of \$1,890,225 to record the liability for non-pension post-retirement benefits. This is an unfunded accrual and has no impact on current year funding.

Paratransit costs were over budget primarily due to an increase in insurance claim payments and in fuel expenses in fiscal year 2014 over what was expected.

Administrative salaries were over budget due to recording an accrual for the other post-employment benefits of \$248,571.

PIONEER VALLEY TRANSIT AUTHORITY

Management's Discussion and Analysis

For the Year Ended June 30, 2014

Capital and Debt Administration

Capital Assets

The Authority's investment in capital assets as of June 30, 2014 amounted to \$63,907,862, net of accumulated depreciation. The investment in capital assets includes land, construction in progress, buildings, vehicles, and equipment. The Authority primarily acquires its capital assets under federal capital grants with state matching funds. The total purchase of capital assets for the current year was \$11,315,006.

Major capital asset activity during the current year included the following:

1. Purchase of property located at Cottage Street in Springfield for \$1,700,005.
2. Building improvements of \$2,431,236
3. Acquisition of revenue vehicles of \$2,965,448 and disposal of old revenue vehicles of \$(2,389,871)
4. Acquisition of equipment of \$3,971,131
5. Acquisition of service vehicles of \$247,186

	Capital Assets	
	<u>6/30/2014</u>	<u>6/30/2013</u>
Land	\$ 1,965,505	\$ 265,500
Construction in progress	1,722,882	1,459,564
Buildings and improvements	26,208,758	24,040,840
Revenue vehicles	86,425,280	85,849,703
Equipment	41,879,921	37,908,790
Service vehicles	<u>1,626,866</u>	<u>1,379,680</u>
Total capital assets	159,829,212	150,904,077
Accumulated depreciation	<u>(95,921,350)</u>	<u>(87,666,476)</u>
Capital assets, net	<u>\$ 63,907,862</u>	<u>\$ 63,237,601</u>

Revenue Anticipation Notes

At the end of fiscal year 2014, the Authority had a revenue anticipation note of \$33,000,000. This note provides operating cash flow until federal, state, and local appropriations are received.

Legislative adoption and MassDOT implementation of forward funding and increased State Operating assistance allowed the Authority to reduce its borrowing needs associated with state assistance going forward. In late March of 2014 the Authority received \$5,975,759 for prior year deficits and associated interest in the amount of \$89,393. Additionally, in April of 2014 the Authority received 100% of its fiscal year 2014 State Contract assistance of \$18,781,087. These funds were used to pay down the state portion of the revenue anticipation note that matured subsequent to fiscal year end June 30, 2014. The Authority issued a \$13,000,000 operating anticipation note maturing on July 24, 2015 at a rate of 1.00%. The favorable interest rate is due to the legislative reinstatement of the full faith and credit of the Commonwealth to repay this note, should Authority funds not be available. The Authority repaid their \$33,000,000 note due July 25, 2014.

PIONEER VALLEY TRANSIT AUTHORITY

Management's Discussion and Analysis

For the Year Ended June 30, 2014

Status of Intermodal Centers

Westfield Intermodal Transportation Center

PVTA, the City of Westfield and its consultant HDR, have completed a MassDOT funded, Joint Development Master Plan on a 2.8 acre site on Elm Street in Downtown Westfield. The plan calls for construction of a stand-alone 4 to 6 floor commercial building, 400 to 500 space parking garage to support the commercial building and downtown, and a standalone transit pavilion with bike storage, paratransit, taxi, fixed-route bus and intercity bus transfer components. The \$8 million dollar transit pavilion will be an automated facility to include a bus waiting area, automated ticketing, and electronic kiosks for bus scheduling/trip planning and real-time bus information/signage.

- The Westfield Redevelopment Authority (WRA) has received City and State approvals of its Urban Renewal Plan Update for the redevelopment.
- FTA has concurred with the project delivery method, which will have the WRA assembling the site for the transit facility. Site assembly will include property acquisition and relocations as necessary, survey, site clean-up, demolition and lease. PVTA will be responsible for design, permitting and construction of the transit center portion of the project.
- HDR, under contract with PVTA, is currently completing environmental compliance for the transit facility project under NEPA/MEPA. Once environmental clearances are provided (expected by the end of the calendar year), the property can be acquired and PVTA can advance design and construction of the transit facility portion of the redevelopment.
- PVTA and the City of Westfield have entered into a Memorandum of Understanding that will allow the City/WRA to utilize a MassDOT grant for land acquisition services. The City/WRA anticipates entering into a contract for these services shortly.
- PVTA has secured \$3.6 million in federal and state funding for the project but an additional \$4 million will need to be secured to complete the project. Subject to funding, the schematic design is scheduled to proceed in late summer followed by final design and construction. The current schedule, again subject to funding, would have the project constructed in 2015.

New PVTA Bus Operations and Maintenance Facility, Springfield, MA

Project Overview

PVTA's new Bus Operations and Maintenance Facility Project at 649-665 Cottage Street in Springfield, Massachusetts will include a 250,000 +/- square foot fixed-route bus operations and maintenance facility on an 18-acre vacant industrial site purchased by PVTA in fiscal year 2014 and located in the heart of the Springfield Metropolitan Area of Western Massachusetts.

PIONEER VALLEY TRANSIT AUTHORITY

Management's Discussion and Analysis

For the Year Ended June 30, 2014

The new facility will provide light and heavy maintenance to PVTA's entire fleet of 130+ buses and 140+ paratransit vehicles. 85 buses will be stored inside the new facility with the remaining 50 stored at the existing 2840 Main Street facility. Parking for over 200 employees, visitors and outside vans will also be provided at the new Cottage St. facility. The facility is being design with growth in mind. The 18-acre site was purchased to accommodate a future paratransit storage facility that will allow PVTA to one day store its paratransit vehicles inside at a more central location to the service area than at its current leased facility in Chicopee.

The new O&M facility will augment PVTA's heavy duty maintenance capabilities currently provided at its existing 108-year old maintenance facility located at 2840 Main Street, Springfield, MA. The existing 4-acre bus maintenance facility was retrofitted from an old streetcar trolley barn and is outdated, operationally inefficient and grossly undersized to safely support the existing and expanded future transit system. Based on current transit industry, design and zoning standards, the facility is less than half the size required to provide safe and efficient bus operations and maintenance for the current fleet.

The new fixed-route O&M facility will support PVTA's growing ridership that has been increasing at an average rate of 5% annually over the past 5 years. Ridership growth is projected to continue at or around this rate based on planned developments and transit improvements including increased Amtrak service through Union Station in Downtown Springfield; system expansions planned by PVTA and construction of a new casino in Downtown Springfield near the Cottage Street site.

PVTA's concept design completed in 2013 provides for a very efficient, secure, well landscaped and contemporary building with a view to the future. Parking will be located behind the building. The fixed-route facility is designed with excellent access through service, maintenance and bus storage. Shops for parts, tires, body/repair, wash bays and other adjacent functions are efficiently located. The new facility will be designed for energy conservation and sustainability and is anticipated to be LEED certified. Access to Interstate 291, the Massachusetts Turnpike and the urban arterials is excellent.

Progress-to-Date

With several development phases completed, the site already purchased and environmental clearances obtained, this project is truly shovel-ready. PVTA has completed the following Project Phases-to-date:

Phase I: Schematic Concept Plan Development

- Task 1 – Facility Needs Assessment/Programming Manual (Sept. 2010)
- Task 2 – Maintenance Facility Master plan (Feb. 2011)
- Task 3 – Site Location Study (Nov. 2011)
- Task 4 – Phase I Environmental Site Assessment (Feb. 2012)
- Task 5 – Conceptual Design Report/Plans on Preferred Site (June 2012)
- Task 6 – Secure FTA State of Good Repair Grant (June 2012)

Phase II: Schematic Design/Land Acquisition – (Using 2012 SGR Grant)

- Task 1 – NEPA/MEPA Concurrence (April 2013)
- Task 2 – Site Survey/Municipal Zoning Compliance (April 2013)
- Task 3 – Phase II ESA – no reportable conditions (Dec. 2013)
- Task 4 – Purchase 649-665 Cottage St. property (Dec. 2013)
- Task 5 – Initiate Schematic Design (July 2014)

PIONEER VALLEY TRANSIT AUTHORITY

Management's Discussion and Analysis

For the Year Ended June 30, 2014

The project has achieved NEPA/MEPA approvals (documented Categorical Exclusion). The property has been surveyed, environmentally tested and acquired. Phase I and II ESA's revealing no reportable environmental conditions, and a municipal zoning review confirmed that no variances or special permits will be required of the project.

PVTA is currently underway on site demolition/preparation and schematic design, which will both be completed by December 2014. These activities were funded by a \$3.96 million State of Good Repair (SGR) Grant secured by PVTA in 2012 and \$2,330,000 in RTACAP funding secured from MassDOT in FY 2015.

PVTA anticipates completing design development, final design and preparation of construction documents suitable for bidding in FY15/16 with construction of the estimated \$64.2M facility in FY17 subject to funding availability.

Economic Factors and Next Year's Budget

Funding for the Authority's net cost of service (non-capital expenses less all non-capital revenues except state contract assistance and member municipality assessments) is dependent primarily (up to 75%) on operating assistance from the Commonwealth of Massachusetts. The balance (at least 25% but no more than 50%) of the Authority's net cost of service is funded also in arrears (currently 2 years back) through assessments to member municipalities. These assessments may increase annually in the aggregate by no more than 2.5%, plus the members' share of any new services.

A number of economic factors will or may affect the Authority's 2015 operations, such as increases in payroll and fringe related to union contracts, fuel increases, and other costs of running the Authority. Increases to the State Contract Assistance by the legislature for fiscal year 2015 will allow the Authority to put on extensive new service for the first time since major service cuts back in 2008. This funding increase is the result of the Commonwealths "Transportation Finance Bill and the Administration's efforts related to the "Way Forward Plan" which created an environment of stable and increased funding for regional transit authorities. The first new service is being implemented on August 24, 2014 and more in late September. Thirteen new buses have already been purchased to handle that service and new drivers have been hired. A Comprehensive Service analysis was performed last year in anticipation of this funding increase to prepare for new service implementation. State Contract Assistance will continue to be forward funded in fiscal year 2015. The Authority received its first 2 quarterly payments in early August, and is scheduled to receive its 2nd quarterly payment on December 1st and last quarterly payment on March 1st.

Continued improvements to the Commonwealth's public transportation system are partially reliant on the planned increase in the state's gas tax which can increase with inflation. There is an attempt through a ballot question to be voted upon in November 2015 to repeal future automatic inflationary increases in the gas tax. A repeal of this measure may cause a decrease in the Commonwealth's funding for transportation improvements which may have a negative impact on the Authority.

Local assessments, which are also funded in arrears (and 2 years behind), used to be received quarterly. Beginning in fiscal year 2014, that schedule was changed to a monthly payment by MassDOT. This is expected to continue going forward.

PIONEER VALLEY TRANSIT AUTHORITY

Management's Discussion and Analysis

For the Year Ended June 30, 2014

Contacting the Authority's Financial Management

This financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have any questions or need additional information, contact Mary MacInnes, Administrator, Pioneer Valley Transit Authority, 2808 Main Street, Springfield, MA 01107.

PIONEER VALLEY TRANSIT AUTHORITY

STATEMENTS OF NET POSITION

JUNE 30,

	2014	2013
ASSETS		
Current assets		
Cash and equivalents	\$ 28,821,102	\$ 7,457,564
Receivables, net	13,605,689	29,687,535
Prepaid expenses	482,668	824,356
Total current assets	42,909,459	37,969,455
Prior receivables from the State	---	5,975,759
Allowance for uncollectible	---	(5,975,759)
Investment in Holyoke Intermodal Facility, LLC	4,056,365	4,091,077
Property and equipment, net	63,907,862	63,237,601
TOTAL ASSETS	110,873,686	105,298,133
LIABILITIES		
Accounts payable	4,802,483	3,838,306
Accrued payroll and related liabilities	146,582	127,266
Accrued pension and related liabilities	127,137	123,142
Insurance claims reserve	1,500,000	1,450,000
Accrued interest	301,660	479,913
Note payable	33,000,000	35,000,000
Total current liabilities	39,877,862	41,018,627
Unearned revenue	1,121,531	1,351,904
Accrued other post employment benefits	13,539,147	11,400,351
TOTAL LIABILITIES	54,538,540	53,770,882
NET POSITION		
Invested in capital assets, net of related debt	67,964,227	67,328,678
Restricted reserve	884,105	677,304
Unrestricted	(12,513,186)	(16,478,731)
TOTAL NET POSITION	\$ 56,335,146	\$ 51,527,251

See notes to financial statements.

PIONEER VALLEY TRANSIT AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
For the Year Ended June 30, 2014

	Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues			
Fixed route income	\$ 6,817,925	\$ 6,774,805	\$ (43,120)
Paratransit income	657,070	678,258	21,188
Shuttle service income	30,696	32,226	1,530
Total operating revenues	<u>7,505,691</u>	<u>7,485,289</u>	<u>(20,402)</u>
Operating expenses			
Fixed route service	27,616,904	29,308,748	(1,691,844)
Paratransit service	8,037,658	8,114,630	(76,972)
Shuttle service	273,620	263,955	9,665
Administrative salaries, taxes and fringe benefits	2,145,302	2,407,824	(262,522)
Other administrative expenses	1,484,095	1,595,833	(111,738)
Reimbursable depreciation	---	4,477	(4,477)
Total operating expenses	<u>39,557,579</u>	<u>41,695,467</u>	<u>(2,137,888)</u>
Operating income (loss)	<u>(32,051,888)</u>	<u>(34,210,178)</u>	<u>(2,158,290)</u>
Non-operating revenues (expenses)			
Government operating assistance			
Federal	6,172,542	5,795,128	(377,414)
Massachusetts	18,781,087	18,781,087	---
Member communities	7,065,703	7,065,703	---
Other assistance	110,000	360,713	250,713
Advertising income	218,450	363,859	145,409
Other income	83,447	60,342	(23,105)
Interest income	33,159	41,589	8,430
Interest expense	(412,500)	(190,238)	222,262
Total non-operating revenues (expenses)	<u>32,051,888</u>	<u>32,278,183</u>	<u>226,295</u>
Income (loss) before capital contributions and other items	<u>\$ ---</u>	<u>(1,931,995)</u>	<u>\$ (1,931,995)</u>
Contributed capital		11,315,006	
Nonreimbursable depreciation		(10,640,268)	
State forward funding of prior years' deficits		<u>6,065,152</u>	
CHANGE IN NET POSITION		4,807,895	
Net position, beginning		<u>51,527,251</u>	
NET POSITION, ENDING		<u>\$ 56,335,146</u>	

See notes to financial statements.

PIONEER VALLEY TRANSIT AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
For the Year Ended June 30, 2013

	Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues			
Fixed route income	\$ 6,501,067	\$ 6,706,255	\$ 205,188
Paratransit income	668,154	668,227	73
Shuttle service income	29,497	31,949	2,452
Total operating revenues	<u>7,198,718</u>	<u>7,406,431</u>	<u>207,713</u>
Operating expenses			
Fixed route service	26,701,560	28,725,369	(2,023,809)
Paratransit service	8,220,383	7,687,468	532,915
Shuttle service	266,239	265,008	1,231
Administrative salaries, taxes and fringe benefits	1,808,828	2,019,434	(210,606)
Other administrative expenses	1,428,806	1,565,295	(136,489)
Reimbursable depreciation	---	21,940	(21,940)
Total operating expenses	<u>38,425,816</u>	<u>40,284,514</u>	<u>(1,858,698)</u>
Operating income (loss)	<u>(31,227,098)</u>	<u>(32,878,083)</u>	<u>(1,650,985)</u>
Non-operating revenues (expenses)			
Government operating assistance			
Federal	6,152,578	4,765,980	(1,386,598)
Massachusetts	18,106,342	19,090,849	984,507
Member communities	6,893,369	6,893,369	---
Other assistance	110,000	110,000	---
Advertising income	250,000	227,519	(22,481)
Other income	77,979	65,024	(12,955)
Interest income	31,330	32,184	854
Interest expense	(394,500)	(255,340)	139,160
Total non-operating revenues (expenses)	<u>31,227,098</u>	<u>30,929,585</u>	<u>(297,513)</u>
Income (loss) before capital contributions and other items	<u>\$ ---</u>	(1,948,498)	<u>\$ (1,948,498)</u>
Contributed capital		10,335,601	
Nonreimbursable depreciation		<u>(9,758,953)</u>	
CHANGE IN NET POSITION		(1,371,850)	
Net position, beginning		<u>52,899,101</u>	
NET POSITION, ENDING		<u>\$ 51,527,251</u>	

See notes to financial statements.

PIONEER VALLEY TRANSIT AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30,

	2014	2013
Cash flows from operating activities:		
Receipts from customers	\$ 7,247,128	\$ 7,452,781
Payments for goods and services	(35,576,188)	(33,378,943)
Payments to employees	(2,388,508)	(2,028,607)
Net cash provided (used) by operating activities	<u>(30,717,568)</u>	<u>(27,954,769)</u>
Cash flows from noncapital financing activities:		
Receipts of operating grants	48,307,418	31,092,001
Receipt of forward funding grant for prior years deficits	6,065,152	---
Proceeds from issuing revenue anticipation notes	33,000,000	35,000,000
Repayments of revenue anticipation notes	(35,000,000)	(35,300,000)
Interest paid	(368,491)	(258,105)
Net cash provided (used) by noncapital financing activities	<u>52,004,079</u>	<u>30,533,896</u>
Cash flows from capital and related financing activities:		
Receipts of capital grants	11,315,006	10,335,601
Payments for capital acquisitions	(11,315,006)	(10,357,991)
Net cash provided (used) by capital and related financing activities	<u>---</u>	<u>(22,390)</u>
Cash flows from investing activities:		
Distribution from investment in Holyoke Intermodal Facility, LLC	35,438	15,739
Interest on savings	41,589	32,184
Net cash provided (used) by investing activities	<u>77,027</u>	<u>47,923</u>
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	21,363,538	2,604,660
Cash and equivalents, beginning	<u>7,457,564</u>	<u>4,852,904</u>
CASH AND EQUIVALENTS, ENDING	<u>\$ 28,821,102</u>	<u>\$ 7,457,564</u>
Reconciliation of operating income to net cash provided (used) by operating activities:		
OPERATING LOSS	\$ (34,210,178)	\$ (32,878,083)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Reimbursable depreciation	4,477	21,940
(Gain) Loss in investment in Holyoke Intermodal Facility, LLC	(726)	444
Advertising and other income	424,201	292,543
Change in assets and liabilities:		
(Increase) decrease in receivables	(222,941)	46,350
(Increase) decrease in prepaid expenses	341,688	53,734
Increase (decrease) in accounts payable	964,177	1,658,484
Increase (decrease) in accrued payroll and related liabilities	19,316	(9,173)
Increase (decrease) in accrued pension and related liabilities	3,995	(308,318)
Increase (decrease) in insurance claims reserve	50,000	---
Increase (decrease) in deferred revenue	(230,373)	1,017,055
Increase (decrease) in other post employment benefits	2,138,796	2,150,255
Net cash provided (used) by operating activities	<u>\$ (30,717,568)</u>	<u>\$ (27,954,769)</u>

See notes to financial statements.

PIONEER VALLEY TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Pioneer Valley Transit Authority (the Authority) operates under Massachusetts General Laws (MGL) Chapter 161B as a body politic and a corporate and political subdivision of the Commonwealth of Massachusetts. The Authority is a component unit of the Massachusetts Department of Transportation. Massachusetts provides funding to the Authority. Its members consist of the cities and towns of Agawam, Amherst, Belchertown, Chicopee, East Longmeadow, Easthampton, Granby, Hadley, Hampden, Holyoke, Leverett, Longmeadow, Ludlow, Northampton, Palmer, Pelham, South Hadley, Springfield, Sunderland, Ware, West Springfield, Westfield, Wilbraham and Williamsburg. It has a general responsibility to develop, finance and contract for the operation of mass transportation facilities within its territory. It is authorized to improve, modify, or extend existing facilities and enter into agreements with other parties, including government agencies, municipalities, authorities, private transportation companies, railroads, corporations, and other concerns, providing for construction, operation and use by such other party of any mass transportation facility or equipment of the Authority.

The Authority's activities are managed by an administrator who is appointed by an Advisory Board which is made up of the chief elected officials or their appointees from the member communities. The Authority's operations are primarily funded through passenger fares, contractual reimbursements and operating subsidies from the federal and state government and member municipalities. In addition, the Authority receives capital grants from the federal and state government to finance acquisitions and improvements of facilities and equipment.

The Authority provides fixed route service to the cities and towns above, which is provided by Springfield Area Transit Company, Valley Area Transit Company and UMass Transit.

The Authority provides ADA paratransit service for people with disabilities throughout the Pioneer Valley within $\frac{3}{4}$ miles of a fixed route. This service provides a shared-ride and door-to-door van transportation for individuals with disabilities that prevent them from riding the fixed route bus service.

The Authority also provides door-to-door, demand responsive accessible van service to seniors over the age of 60 throughout the Pioneer Valley.

Basis of Accounting

An enterprise fund is used to account for the Authority, which is maintained on the accrual basis of accounting. The Authority uses proprietary fund accounting which follows all Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing transit services to the general public. The principal operating revenues consist of passenger fares and contract reimbursements for demand response transit services provided to agencies of the Commonwealth of Massachusetts. Operating expenses include the cost of transit services provided by third party vendors, administrative expenses and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

NOTE 1 - (Continued)**Fund Net Position**

Fund net positions are classified as follows in the Authority's financial statements:

Invested in capital assets, net of related debt

The portion of net position represented by capital assets less accumulated depreciation, less outstanding debt incurred by the Authority to buy or construct them. The Authority uses these capital assets to provide transportation services; consequently, these assets are not available for future spending. Although the Authority's investment in its capital assets is reported net of related debt, the resources needed to repay this debt, if any, must be provided from other sources, since these capital assets themselves cannot be used to liquidate these liabilities.

Restricted

Amounts that can be spent only for specific purposes because of state laws, or externally imposed conditions by grantors or creditors. The Authority has a restricted reserve established for the purpose of meeting the cost of extraordinary expenses in accordance with Massachusetts General Laws, Chapter 161b, Section 6(q). At June 30, 2014, the Authority's reserve balance was \$884,105.

Unrestricted

All amounts not included in other classifications.

Revenue Recognition

Operating assistance and capital assistance are recorded at the time eligible expenditures under the terms of the grants are incurred.

Budgetary Basis of Accounting

The Authority follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Administrator presents to the Advisory Board a proposed budget by April 1 each year for the fiscal year commencing the following July. The budget includes proposed expenditures and the means of financing them.
2. By June 1 each year, the budget is legally enacted by a vote of the Advisory Board.

Funding

The Authority's operations are funded through fares from riders and assistance provided under various federal, state, and local grants. Reimbursement under these grants is based on expenses incurred during the fiscal year and is subject to certain compliance regulations.

Capital Grants

The Authority's capital assets are generally acquired with federal, state and local capital grants. These assets are owned by the Authority and included in property and equipment. Proceeds received from dispositions of these assets must be either refunded to the grantor agency or used to acquire new capital items. Capital grant revenues are reflected in the Statement of Revenues, Expenses and Changes in Fund Net Position as capital contributions.

Cash and Equivalents

For purposes of the statements of cash flows, the Authority considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

NOTE 1 - (Continued)**Accounts Receivable**

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Property and Equipment

Property and equipment are recorded at acquisition cost and depreciation is calculated using the straight-line method over five to forty year lives.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events

Management has evaluated subsequent events through September 15, 2014, the date which the financial statements were available to be issued.

Concentration of Source of Supply of Labor

The Authority has a contract, expiring on June 30, 2015, for fixed route transportation services with the University of Massachusetts.

The Authority has a contract, expiring on August 31, 2014, for its fixed route transportation services with Springfield Area Transit Company (SATCo) and Valley Area Transit Company (VATCo), divisions of First Transit, Inc. The contract has been extended for one year, expiring on August 31, 2015.

Ninety-seven percent (97%) of SATCo's employees are members of the Local 448 of the Amalgamated Transit Union. SATCo's labor agreement with the Union is effective through October 31, 2015.

Eighty-five percent (85%) of VATCo's employees are members of the Local 1459 United Food and Commercial Workers International Union. VATCo's labor agreement with the Union is effective through December 31, 2015.

Comparative Information

Certain prior year amounts may have been reclassified to conform to the current year presentation.

NOTE 2 - DEPOSITS AND INVESTMENTS

State and local statutes place certain limitations on the nature of deposits and investments available to the Authority. Deposits, including demand deposits, money markets and certificates of deposit in any one financial institution, may not exceed certain levels unless collateralized by the financial institution involved. Investments may be made in unconditionally guaranteed U.S. Government obligations having maturities of a year or less from the date of purchase, or through repurchase agreements with maturities of no greater than 90 days in which the underlying securities consist of such obligations. Other allowable investments include authorized bonds of all states, banker's acceptances, commercial paper rated within the three highest classifications established by rating agencies, and units in the Massachusetts Municipal Depository Trust (MMDT).

NOTE 2 - (Continued)**Custodial Credit Risk**

Custodial credit risk is the risk that in the event of bank failure, the Authority's deposits may not be returned. The Authority carries deposits and short-term investments that are insured by FDIC and DIF insurance. Insured bank deposits as of June 30, 2014, were \$29,617,237. Uninsured bank deposits as of June 30, 2014 were \$-0-.

NOTE 3 - RECEIVABLES CONSISTED OF THE FOLLOWING AT JUNE 30:

	<u>2014</u>	<u>2013</u>
Current receivables		
Federal		
Operating assistance	\$ 1,234,186	\$ 61,958
Capital assistance	<u>2,332,562</u>	<u>1,607,289</u>
Total - Federal	<u>3,566,748</u>	<u>1,669,247</u>
Massachusetts		
Operating assistance for current year expenditures	---	17,174,511
Capital assistance	<u>1,014,188</u>	<u>1,317,784</u>
Total - Massachusetts	<u>1,014,188</u>	<u>18,492,295</u>
Member communities		
Operating assistance for current year expenditures	7,065,703	6,893,369
Operating assistance for prior year expenditures	<u>1,505,602</u>	<u>2,417,337</u>
Total - member communities	<u>8,571,305</u>	<u>9,310,706</u>
Trade receivables		
Accounts receivable	453,448	215,287
Allowance for uncollectible	---	---
Total - trade receivables	<u>453,448</u>	<u>215,287</u>
Total current receivables	13,605,689	29,687,535
Noncurrent receivables*		
Massachusetts		
Operating assistance for prior years' expenditures	---	5,975,759
Allowance for uncollectible	<u>---</u>	<u>(5,975,759)</u>
Total receivables	<u>\$ 13,605,689</u>	<u>\$ 29,687,535</u>

(Continued)

NOTE 3 - (Continued)

* The Authority recorded \$5,975,759 in operating assistance due from the Commonwealth of Massachusetts during fiscal years 2002 through 2008 to fund its operating deficits as allowed under the Massachusetts General Laws, Chapter 161b. These amounts were paid by the Commonwealth during fiscal year 2014.

The Federal government, under 49 USC section 5311, may provide assistance of up to 50% of the Authority's net operating costs for the rural fixed routes. In addition, under 49 USC sections 5307, 5309 and 5310, the Federal government may provide 80% to 100% of the cost of capital equipment and maintenance. During the year ended June 30, 2014 and 2013, the Authority expended American Recovery and Reinvestment funds through the Department of Transportation.

Massachusetts general laws require the operating assistance assessed upon local cities and towns be at least 25% of net cost of service, including new services. The local assessment can be increased by a maximum of 2.5% of the previous year's local assessment plus 25% of the cost of new service.

The Authority has a contract with the Commonwealth of Massachusetts under which Massachusetts agrees to provide operating assistance for a portion of the operating deficit remaining after any federal grants and the local assistance have been applied.

NOTE 4 - PREPAID EXPENSES CONSISTED OF THE FOLLOWING AT JUNE 30:

	2014	2013
Insurance	\$ 106,580	\$ 108,535
Pension	288,869	678,118
Prepaid fuel	48,096	22,630
Other	39,123	15,073
Total	<u>\$ 482,668</u>	<u>\$ 824,356</u>

NOTE 5 - PROPERTY AND EQUIPMENT CONSISTED OF THE FOLLOWING AT JUNE 30:

	2014			
	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 265,500	\$ 1,700,005	\$ ---	\$ 1,965,505
Construction in progress	1,459,564	263,318	---	1,722,882
Total capital assets, not being depreciated	1,725,064	1,963,323	---	3,688,387
Capital assets, being depreciated:				
Buildings and improvements	24,040,840	2,167,918	---	26,208,758
Revenue vehicles	85,849,703	2,965,448	(2,389,871)	86,425,280
Equipment	37,908,790	3,971,131	---	41,879,921
Service vehicles	1,379,680	247,186	---	1,626,866
Total capital assets, being depreciated	149,179,013	9,351,683	(2,389,871)	156,140,825
Less accumulated depreciation for:				
Buildings and improvements	18,464,134	883,167	---	19,347,301
Revenue vehicles	39,028,160	6,527,199	(2,389,871)	43,165,488
Equipment	29,060,538	3,145,410	---	32,205,948
Service vehicles	1,113,644	88,969	---	1,202,613
Total accumulated depreciation	87,666,476	10,644,745	(2,389,871)	95,921,350
Total capital assets, being depreciated, net	61,512,537	(1,293,062)	---	60,219,475
Capital assets, net	<u>\$ 63,237,601</u>	<u>\$ 670,261</u>	<u>\$ ---</u>	<u>\$ 63,907,862</u>

	2013			
	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 265,500	\$ ---	\$ ---	\$ 265,500
Construction in progress	1,202,143	257,421	---	1,459,564
Total capital assets, not being depreciated	1,467,643	257,421	---	1,725,064
Capital assets, being depreciated:				
Buildings and improvements	23,347,333	693,639	(132)	24,040,840
Revenue vehicles	85,027,863	5,327,584	(4,505,744)	85,849,703
Equipment	34,023,270	3,936,343	(50,823)	37,908,790
Service vehicles	1,312,411	143,004	(75,735)	1,379,680
Total capital assets, being depreciated	143,710,877	10,100,570	(4,632,434)	149,179,013
Less accumulated depreciation for:				
Buildings and improvements	17,661,455	802,811	(132)	18,464,134
Revenue vehicles	37,569,579	5,964,325	(4,505,744)	39,028,160
Equipment	26,207,942	2,903,419	(50,823)	29,060,538
Service vehicles	1,079,041	110,338	(75,735)	1,113,644
Total accumulated depreciation	82,518,017	9,780,893	(4,632,434)	87,666,476
Total capital assets, being depreciated, net	61,192,860	319,677	---	61,512,537
Capital assets, net	<u>\$ 62,660,503</u>	<u>\$ 577,098</u>	<u>\$ ---</u>	<u>\$ 63,237,601</u>

NOTE 6 - INVESTMENT IN HOLYOKE INTERMODAL FACILITY, LLC

On February 7, 2007 the Authority entered into a Joint Development Agreement with the City of Holyoke and Holyoke Intermodal Facility, LLC, (a limited liability company created by the real estate arm of Peter Pan Bus Lines, Inc.) for the purpose of undertaking the design and construction of the renovations to a building located at 206 Maple Street, Holyoke, Massachusetts, known as the Holyoke Multimodal Transportation Center. Holyoke Intermodal Facility, LLC is the owner of the building. The Authority has a one percent (1%) interest in the Holyoke Intermodal Facility, LLC which is accounted for under the equity method. The Authority receives, on an annual basis, ten percent of the “net operating income” of the LLC as defined in the Joint Development Agreement.

The City of Holyoke had conveyed certain property to Holyoke Intermodal Facility, LLC which included a permanent restriction on approximately 3,000 square feet of space on the ground level to be used for transit purposes only. In consideration of the extent of public funding provided to the project through the Authority, the 3,000 square feet of the ground floor was restricted for transit use and is leased back to the Authority free of charge in perpetuity. The project was completed in fiscal year 2011 at which time the Authority started leasing back a portion of the facility. In the event that the LLC should sell the property, and depending on the timing of the sale, a portion of the sales proceeds will go to the Authority as described in the Joint Development Agreement. The details of the lease agreement with the LLC are described in Note 10 of these financial statements.

During the years ended June 30, the following was recorded:

	<u>2014</u>	<u>2013</u>
Investment in Holyoke Intermodal Facility, LLC, beginning	\$ 4,091,077	\$ 4,107,260
Gain (Loss) from Holyoke Intermodal Facility, LLC	726	(444)
Distributions from Holyoke Intermodal Facility, LLC	<u>(35,438)</u>	<u>(15,739)</u>
Investment in Holyoke Intermodal Facility, LLC, ending	<u>\$ 4,056,365</u>	<u>\$ 4,091,077</u>

NOTE 7 - ACCOUNTS PAYABLE CONSISTED OF THE FOLLOWING AT JUNE 30:

	<u>2014</u>	<u>2013</u>
Accounts payable		
General vendors	\$ 3,692,505	\$ 2,604,438
Fixed route operators	<u>1,109,978</u>	<u>1,233,868</u>
Total	<u>\$ 4,802,483</u>	<u>\$ 3,838,306</u>

The Springfield Area Transit Company, Valley Area Transit Company and UMass Transit are the fixed route operators for the Authority. The assets and liabilities held by the fixed route operators are owned by the Authority and consist mainly of inventory, prepaid expenses, accounts payable and accrued wages and benefits. The value of these assets less liabilities held by the fixed route operators as of June 30, 2014 and 2013 was \$1,109,978 and \$1,233,868, respectively, and are reported as fixed route operator accounts payable in the Authority’s financials statements.

NOTE 8 - NOTE PAYABLE CONSISTED OF THE FOLLOWING AT JUNE 30:

The Authority is subsidized by the Commonwealth of Massachusetts for its annual “Net Cost of Service” as defined in the Massachusetts General Laws. These subsidies are funded subsequent to the year in which the costs are incurred. Therefore, the Authority issues revenue anticipation notes to cover cash flow deficiencies until funding is received.

Revenue anticipation notes consisted of the following for the year ended June 30:

	<u>2014</u>	<u>2013</u>
1.00% Revenue anticipation note, due July 25, 2014	\$ 33,000,000	
1.50% Revenue anticipation note, due July 26, 2013		\$ 35,000,000
Total	<u>\$ 33,000,000</u>	<u>\$ 35,000,000</u>

On July 25, 2014, the Authority issued a \$13,000,000 operating assistance anticipation note maturing on July 24, 2015 at a rate of 1.00%. The Authority repaid the \$33,000,000 note due July 25, 2014.

The Commonwealth is required pursuant to Section 10 of Chapter 161B of the Massachusetts General Laws to pay to the Authority amounts duly certified by the Administrator as necessary to pay the principal and interest on these notes if sufficient funds are not otherwise available; the obligation of the Commonwealth to pay such amounts to the Authority is a general obligation of the Commonwealth, and the full faith and credit of the Commonwealth is pledged to make such payments.

NOTE 9 - NET POSITION CONSISTED OF THE FOLLOWING AT JUNE 30:

	2014			
	Invested in capital assets	Restricted Reserve	Unrestricted	Total
Net loss			\$ (1,931,995)	\$ (1,931,995)
Reimbursable depreciation	\$ (4,477)		4,477	---
Nonreimbursable depreciation	(10,640,268)			(10,640,268)
Capital asset additions				
Government funded	11,315,006			11,315,006
* State forward funding for prior years deficits			6,065,152	6,065,152
Decrease in investment in Holyoke Intermodal Facility, LLC	(34,712)		34,712	---
Increase in reserve for extraordinary expenses		206,801	(206,801)	---
Increase (decrease) in net position	635,549	206,801	3,965,545	4,807,895
Net position, beginning	67,328,678	677,304	(16,478,731)	51,527,251
Net position, ending	<u>\$ 67,964,227</u>	<u>\$ 884,105</u>	<u>\$ (12,513,186)</u>	<u>\$ 56,335,146</u>

	2013			
	Invested in capital assets	Restricted Reserve	Unrestricted	Total
Net loss			\$ (1,948,498)	\$ (1,948,498)
Reimbursable depreciation	\$ (21,940)		21,940	---
Nonreimbursable depreciation	(9,758,953)			(9,758,953)
Capital asset additions				
Government funded	10,335,601			10,335,601
Authority funded	22,390		(22,390)	---
Decrease in investment in Holyoke Intermodal Facility, LLC	(16,183)		16,183	---
Increase in reserve for extraordinary expenses		\$ 201,757	(201,757)	---
Increase (decrease) in net position	560,915	201,757	(2,134,522)	(1,371,850)
Net position, beginning	66,767,763	475,547	(14,344,209)	52,899,101
Net position, ending	<u>\$ 67,328,678</u>	<u>\$ 677,304</u>	<u>\$ (16,478,731)</u>	<u>\$ 51,527,251</u>

* During fiscal year 2014 the Massachusetts Department of Transportation awarded state operating assistance for forward funding in the amount of \$6,322,049. Of this amount, \$6,065,152 was applied to the Authority's prior years' unfunded deficits, and \$256,897 was used toward repaying a portion of the interest expense of the Authority's revenue anticipation note due on July 25, 2014.

NOTE 10 - OPERATING LEASES*Information Center Leases*

On July 1, 2007, the Authority entered into a 5 year operating lease for its Information Center consisting of 900 square feet on the first floor of 1331 Main Street, Springfield, MA. On May 1, 2009 the lease was amended to change the area of occupancy from the first floor to the third floor consisting of 860 square feet. The Authority is responsible for a pro rata share of the facilities' common area operating costs, including the cost of gas consumption, public liability, fire and property damage insurance, real estate taxes, gardening, landscaping, snow removal, trash removal and other common area facility expenses. The lease was extended for an additional 5 years and expires on June 30, 2017. Lease expense was \$11,166 and \$10,947 for the years ended June 30, 2014 and 2013, respectively.

On July 1, 2007, the Authority entered into a 5 year operating lease for its Information Center consisting of 360 square feet on the first floor of 1341 Main Street, Springfield, MA. The Authority is responsible for a pro rata share of the facilities' common area operating costs, including the cost of gas consumption, public liability, fire and property damage insurance, real estate taxes, gardening, landscaping, snow removal, trash removal and other common area facility expenses. The lease was extended for an additional 5 years and expires on June 30, 2017. Lease expense was \$7,883 and \$7,728 for the years ended June 30, 2014 and 2013, respectively.

Transportation Center Lease

The Authority leases transit and building space located at 1776 Main Street, Springfield, MA. The leased premises consists of 470 square feet of dispatch and office area space (which was constructed by the Landlord and is to be paid solely at the Authority's expense), six bus parking bays containing 9,877 square feet, a section of the parking lot, and the right to use a portion of the concourse and public use areas at the building. The Authority is responsible for cleaning the bay area, office space area and repairs and maintenance of the leased premises (except the public use areas), as well as for its own cable, phone and any other utilities. The lease expired on March 31, 2014. The Authority is currently leasing the space on a month-to-month basis, and in accordance with the terms of the agreement, is making monthly rental payments of 200% of the base rent effective on March 31, 2014 until a new lease is signed, which is expected by October 2014. Lease expense was \$190,099 and \$165,777 for the years ended June 30, 2014 and 2013, respectively.

Approximate future lease commitments payable during the years ending June 30 are as follows:

	Leases		
	<u>1331 Main St.</u>	<u>1341 Main St.</u>	<u>Total</u>
2015	\$ 11,388	\$ 8,040	\$ 19,428
2016	11,616	8,196	19,812
2017	<u>11,844</u>	<u>8,364</u>	<u>20,208</u>
Total	<u>\$ 34,848</u>	<u>\$ 24,600</u>	<u>\$ 59,448</u>

(Continued)

NOTE 10 - (Continued)*Holyoke Multimodal Transportation Center Lease*

The Authority is leasing approximately 3,000 square feet with the right to use common areas of the Holyoke Multimodal Transportation Center building, including all driveways, parking areas and roadways serving the property. The lease commenced in September 2010 and expires on the last date of the fiftieth (50th) year following the commencement date. The Authority has the option to extend the lease for separate and successive extension periods of fifty (50) lease years each. The Authority has no obligation to pay rent, it being agreed that the public funding provided for the project was in lieu of any rent owed. Notwithstanding, the Authority does have the obligation to pay for separately metered utilities and its share of common area maintenance (CAM) charges. The CAM charges shall be paid monthly at an amount determined annually by the Lessor, Holyoke Intermodal Facility, LLC, which include all expenses incurred by the Lessor in connection with the operation of the property, such as handymen, mechanics, electricians, supplies and materials, insurances, repairs, replacements and other allowable expenses as described in the lease agreement. The CAM charges were \$10,526 and \$12,153 for the years ended June 30, 2014 and 2013, respectively.

The Authority has a one-percent (1%) ownership interest in Holyoke Intermodal Facility, LLC which is disclosed in Note 6 of these financial statements.

NOTE 11 - PVTA PENSION PLAN**Plan Description**

The Authority provides retirement benefits to employees through the Pioneer Valley Transit Authority Pension Plan (the Plan), a single-employer pension plan. This is a defined benefit pension plan that covers all employees that work at least 1,000 hours in a twelve month consecutive period, and agree to make employee contributions. The Plan provides retirement, death and disability benefits and provides for retirement benefits of 2.50% of a member's average compensation times the number of years of service to a maximum of 32 years. Benefit payments are based upon a member's age, length of creditable service, level of compensation and classification.

Members of the Plan become fully vested after seven years of service. There are 19 active and a total of 57 plan participants.

Early retirement is available if the participant has reached age 55 and completed 10 years of service. Normal retirement is attained at age 65, and deferred retirement is attained at any age after 65.

The Plan issues a publicly available financial report that includes financial statements and required supplementary information for that plan. The Plan's report can be obtained by writing to Pioneer Valley Transit Authority, 2808 Main Street, Springfield, Massachusetts 01107 or by calling (413)732-6248.

(Continued)

NOTE 11 - (Continued)**Annual Pension Cost and Net Pension Asset**

The Authority's annual pension cost and net pension asset for the years ended June 30, were as follows:

	2014	2013
Annual required contribution	\$ 660,638	\$ 542,573
Interest on net pension obligation	(25,429)	(26,161)
Adjustment to annual required contribution	(42,912)	(42,980)
Annual pension cost	592,297	473,432
Contributions made	(203,048)	(453,927)
Increase (decrease) in net pension obligation	389,249	19,505
Net pension asset at beginning of year	(678,118)	(697,623)
Net pension asset at end of year	\$ (288,869)	\$ (678,118)

Funding Policy and Actuarial Assumptions

The board of trustees of the Plan established the contribution requirement; however, the Authority may amend these requirements. The Plan requires members to contribute 4% of their payroll, with the Authority contributing an amount equal to approximately 35.42% of the total member payroll. As a governmental plan, the Authority is not subject to ERISA funding requirements. However, as a funding policy, the Authority funds the plan to meet or exceed ERISA minimum funding requirements. The actuarial method and assumptions for the plan are as follows:

Valuation date	July 1, 2014
Actuarial cost method	Frozen entry age
Amortization method	Level dollar closed
Remaining amortization period initial unfunded	23 years
Asset valuation method	Market value
Investment rate of return	3.75%
Projected salary increase	3.50%
Cost-of-living adjustments	None

NOTE 11 - (Continued)**Three Year Trend Information**

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Certain information for the Plan for the last three years is presented below.

Plan Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset
06/30/12	\$ 224,120	68%	\$ 697,623
06/30/13	\$ 473,432	96%	\$ 678,118
06/30/14	\$ 592,297	34%	\$ 288,869

Schedule of Funding Progress

The Schedule of Pension Funding Progress included in supplementary information following the notes to the financial statements presents multi-year trend information that reveals the actuarial value of the plan assets decreasing over time relative to the actuarial accrued liability for benefits.

NOTE 12 - SATCO PENSION PLAN

The liabilities for the pension plans of the Authority's major transportation provider, Springfield Area Transportation Company, Inc. (SATCo) are included in the Authority's financial statements under transportation expenses and accrued expenses. The Authority is responsible for funding these expenses of SATCo.

Plan Descriptions

SATCo provides retirement benefits to its union employees through two single-employer defined benefit plans; SATCo Employees Retirement Plan (SERP) and Transit Employees Retirement Plan (TERP).

SATCo also provides retirement benefits to nonunion employees through a defined benefit plan, The Transit Management Pension Plan (TMP).

Transit Employee Retirement Plan (TERP)

The TERP plan which is subject to the provisions of the Employment Retirement Income Security Act (ERISA), covers only members of the Amalgamated Transit Union Local No. 448 AFL-CIO (the Union) who were plan participants as of June 30, 2008. The TERP plan, as of June 30, 2008, was frozen and employee contributions were discontinued upon adoption of the SATCo Employees Retirement Plan (SERP). Prior to June 30, 2008, employees could become members of the plan on their forty-fifth day of employment.

The TERP plan provides retirement benefits in the form of an annuities payable monthly for life, commencing on the date of retirement and terminating the month prior to death. The benefit is \$40 multiplied by the years of credited service through June 30, 2008 when the plan was frozen. Pension provisions also include death and disability benefits, whereby the disabled employee or surviving spouse is entitled to receive a reduced annual benefit.

Members of the TERP plan became vested after five years of service. Retirement is available if a participant has reached the age of 55 with 10 years of service. Normal retirement is attained at age 65.

For the years ended June 30, 2014 and 2013, SATCo's pension expense for the TERP plan was \$1,160,000 and \$1,500,000. The unfunded present value of accumulated benefits as of July 1, 2013 and 2012 was \$1,105,199 and \$907,490, respectively.

NOTE 12 - (Continued)***SATCo Employees Retirement Plan (SERP)***

The SERP plan was adopted on July 1, 2008. This plan is a governmental plan within the means of Section 414(d) of the Internal Revenue Code and Sections 3(32) and 4021(b)(d) of ERISA and is exempt from funding rules under Title I of ERISA. Pioneer Valley Transit Authority is the Plan Sponsor for the SERP plan. The SERP plan is available to all employees of SATCo who were members of the TERP plan or have completed 45 days of employment and agree to join the plan by making the necessary member contributions. Retirement, death and disability benefits are the same as under the TERP plan.

For the years ended June 30, 2014 and 2013, SATCo's pension expense for the SERP plan was \$620,000 and \$490,000 and the unfunded present value of accumulated benefits was \$1,109,759 and \$1,199,620.

The TERP and SERP plans issue separate financial statements with required supplemental information for the plans. These plan reports are available to participants of the plans at Springfield Area Transportation Company, Inc., 2840 Main Street, Springfield, Massachusetts, 01107.

Transit Management Pension Plan (TMP)

The TMP plan is subject to the provisions of ERISA and covers SATCo's nonunion employees who are not covered under the SERP and TERP plans. SATCo is the Plan Sponsor for the TMP plan. Eligible participants must work at least 1,000 hours in a twelve month consecutive period and contribute 4% of their annual compensation into the plan.

The TMP plan provides for benefits in the form of an annuity payable for life, with 120 minimum monthly payments guaranteed. The benefit is 2.25% of the average compensation, calculated using the average of the participants' five highest paid consecutive years of service prior to retirement, termination or disability, multiplied by the number of years of service up to 35 years. Pension provisions also include death and disability benefits whereby the disabled employee or surviving spouse is entitled to receive a reduced annual benefit.

Members of the TMP plan become fully vested after seven years of service. Retirement is available for participants who have reached the age of 55 with 10 years of service. Normal retirement is attained at age 65.

For the years ended June 30, 2014 and 2013, SATCo's pension expense for the TMP plan was \$100,000 and the unfunded present value of accumulated benefits (surplus) was \$(35,596) and \$(257,550), respectively.

The TMP plan issues a publicly available financial report that includes financial statements and required supplementary information for that plan. This report can be obtained by writing to Pioneer Valley Transit Authority, 2808 Main Street, Springfield, Massachusetts 01107 or by calling (413)732-6248.

(Continued)

NOTE 12 - (Continued)**Annual Pension Cost and Net Pension Asset – Transit Management Pension Plan**

SATCo's annual pension cost and net pension obligation for the TMP plan for the years ended June 30, were as follows:

	2014	2013
Annual required contribution	\$ 20,918	\$ ---
Contributions made	(73,997)	(72,492)
Increase (decrease) in net pension obligation	(53,079)	(72,492)
Other adjustments and assumption changes	275,033	(213,707)
Net pension (asset) obligation at beginning of year	(257,550)	28,649
Net pension (asset) obligation at end of year	\$ (35,596)	\$ (257,550)

Funding Policy and Actuarial Assumptions

The Plan requires members to contribute 4% of their payroll, and requires the Authority to contribute an amount equal to approximately 10% of the total member payroll. The actuarial method and assumptions for the plan are as follows:

Valuation date	July 1, 2013
Actuarial cost method	Traditional unit credit cost method
Amortization method	Level dollar
Remaining amortization period initial unfunded	5 years
Asset valuation method	Market Value
Investment rate of return	6.38%

Schedule of Funding Progress

The Schedule of Pension Funding Progress for the TMP plan included in supplementary information following the notes to the financial statements presents multi-year trend information that reveals the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Three-Year Trend Information - Transit Management Pension Plan

Plan Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension (Surplus) Obligation
06/30/12	\$ 75,325	166%	\$ 28,649
06/30/13	\$ ---	N/A	\$ (257,550)
06/30/14	\$ 20,918	354%	\$ (35,596)

Additional pension disclosures required by generally accepted accounting principles were not available for presentation for SATCo's TERP and SERP plans, but management of the Authority feels this information would not have a material effect on the financial statements.

NOTE 13 - PVTA OTHER POSTEMPLOYMENT BENEFITS

Effective July 1, 2008, the Authority adopted GASB No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions* (OPEB). This statement establishes accounting and financial reporting requirements for employers to measure and report the cost and liabilities associated with other (than pension) post-employment benefits (or OPEB). It imposes similar accounting rules for healthcare benefits (and other retirement benefits) as those now in place for pension benefits. The Authority applied GASB No. 45 on a prospective basis.

Plan Description

The Pioneer Valley Transit Authority Retiree Welfare Plan is a single-employer defined benefit plan which provides for medical and dental insurance benefits to eligible retirees and their spouses. Employees hired before April 2, 2012 become eligible to retire under this plan upon attainment of age 55 as an active member and completion of 10 years of service (age 60 with 10 years of service for those hired on or after April 2, 2012). The plan is a cost sharing plan with employees paying 15% of medical and dental premiums in retirement. As of June 30, 2014, there were 31 plan members of which 7 were retirees.

The Pioneer Valley Transit Authority Retiree Welfare Plan does not issue separate financial statements. In accordance with GASB Statement No. 45, the Authority is not required to have its actuarial calculation for other post-employment benefit obligations updated annually. The following actuarial information was derived from the plans valuation as of July 1, 2013.

Funding Policy

The contribution requirements of plan members and the Authority are established and may be amended through Authority ordinances. The required contribution is based on the projected pay-as-you-go financing requirements. For fiscal year 2014, total Authority premiums plus implicit costs for the retiree medical program are \$78,586.

Annual OPEB Costs and net OPEB Obligation

The Authority's annual other post employment benefit ("OPEB") cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty (30) years. The following table shows the components of the Authority's annual OPEB costs for the fiscal years ended June 30, 2014 and 2013, the amount actually contributed to the plan, and changes in the Authority's net OPEB obligation as of June 30:

(Continued)

NOTE 13 - (Continued)

	2014	2013
Annual required contribution (ARC)	\$ 424,193	\$ 423,708
Interest on net OPEB obligation	59,963	47,884
Adjustment to annual required contribution	(83,156)	(66,566)
Amortization of actuarial (gains) / losses	(73,843)	---
Annual OPEB cost	327,157	405,026
Contributions made	(78,586)	(103,264)
Increase (decrease) in net pension obligation	248,571	301,762
Net OPEB obligation at beginning of year	1,498,858	1,197,096
Net OPEB obligation at end of year	<u>\$ 1,747,429</u>	<u>\$ 1,498,858</u>

Three Year Trend Information

The Authority's annual OPEB costs, the percentage of the annual OPEB contributed to the plan, and the net OPEB obligation were as follows:

Plan Year Ending	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/12	\$ 400,063	\$ 97,367	24%	\$ 1,197,096
6/30/13	\$ 405,026	\$ 103,264	25%	\$ 1,498,858
6/30/14	\$ 327,157	\$ 78,586	24%	\$ 1,747,429

Funded Status and Funding Progress

As of July 1, 2013, the most recent valuation date, the actuarial liability for benefits was \$2.668 million, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$2.668 million, and the ratio of the UAAL to the covered payroll was 217%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented in the required supplementary information following the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

NOTE 13 - (Continued)**Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Valuation Date: July 1, 2013

Actuarial Cost Method: Projected Unit Credit

Investment Rate of Return: 4.00% per annum

Healthcare Cost Trend Rates:

Assumed a 5% increase in medical costs for fiscal years 2014 and 2015.

General Inflation Assumption: 2.50% per annum

Annual Compensation Increases: 3.00% per annum

Actuarial Value of Assets: Market Value

Amortization of UAAL: Amortized as level dollar amount over 30 years with 24 years remaining at June 30, 2014

NOTE 14 - SATCO OTHER POSTEMPLOYMENT BENEFITS

The liability for other post employment benefits of the Authority's major transportation provider, Springfield Area Transit Company, Inc. (SATCo) is included in the Authority's financial statements under transportation expense and long-term accrued expenses. The Authority is responsible for funding these expenses of SATCo.

Effective July 1, 2007, SATCo adopted GASB No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions* (OPEB).

Plan Description

Springfield Area Transportation Company, Inc. provides for medical insurance benefits to eligible retirees and their spouses. An employee becomes eligible to retire under this plan upon attainment of age 55 with 10 years of service or an employee shall be able to retire with 20 years of service regardless of age. For employees hired prior to July 1, 1990, an employee shall become eligible to retire under this plan upon the attainment of age 55 as an active member and completion of 10 years of service. As of June 30, 2014, there were 348 plan members of which 107 were retirees.

Cost Sharing:

25% of premiums for non-Medicare integrated plans.

0% for Medicare integrated plans.

Retirees pay 100% of premiums for dental insurance.

Springfield Area Transportation Company, Inc. does not issue separate financial statements on this plan.

Funding Policy

The contribution requirements of plan members and SATCo are established and may be amended through SATCo ordinances. The required contribution is based on the projected pay-as-you-go financing requirements. For fiscal year 2014 and 2013, SATCo premiums plus implicit costs for the retiree medical program were \$561,589 and \$488,333.

NOTE 14 - (Continued)**Annual OPEB Cost and Net OPEB Obligation**

SATCo's annual other post employment benefit ("OPEB") cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty (30) years. The following table shows the components of SATCo's annual OPEB costs for the fiscal years June 30, the amount actually contributed to the plan and changes in SATCo's net OPEB obligation to the plan:

	2014	2013
Annual required contribution (ARC)	\$ 2,439,794	\$ 2,398,745
Interest on net OPEB obligation	396,059	322,120
Adjustment to annual required contribution	(550,581)	(447,794)
Amortization to actuarial (gains) / losses	166,542	63,755
Annual OPEB cost	2,451,814	2,336,826
Contributions made	(561,589)	(488,333)
Increase (decrease) in net pension obligation	1,890,225	1,848,493
Net OPEB (asset) obligation at beginning of year	9,901,493	8,053,000
Net OPEB (asset) obligation at end of year	\$ 11,791,718	\$ 9,901,493

Three Year Trend Information

SATCo's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

Plan Year Ending	Annual OPEB Cost	Employer Contribution	Percentage of annual OPEB Cost Contributed	Net OPEB Obligation
06/30/12	\$ 1,958,000	\$ 623,000	32%	\$ 8,053,000
06/30/13	\$ 2,336,826	\$ 488,333	21%	\$ 9,901,493
06/30/14	\$ 2,451,814	\$ 561,589	23%	\$ 11,791,718

(Continued)

NOTE 14 - (Continued)**Funded Status and Funding Progress**

As of June 30, 2014, the most recent valuation date, the plan was zero funded. The actuarial liability for benefits was \$22.87 million, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$22.87 million.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented in the required supplementary information following the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Valuation Date: June 30, 2014

Actuarial Cost Method: Projected Unit Credit

Investment Rate of Return: 4.00% per annum

General Inflation Assumption: 2.50% per annum

Annual Compensation Increases: 3.00 per annum%

Healthcare Trend Rates: 5% per annum

Actuarial Value of Assets: Market Value

Amortization of UAAL: Amortized as level dollar amount over 30 years with 23 years remaining at June 30, 2014

NOTE 15 - FIXED ROUTE INCOME CONSISTED OF THE FOLLOWING FOR THE YEARS ENDED JUNE 30:

	2014			2013 Actual
	Budget	Actual	Variance Favorable (Unfavorable)	
Fare income	\$ 4,675,572	\$ 4,698,056	\$ 22,484	\$ 4,558,857
Adult passes	1,366,982	1,309,621	(57,361)	1,372,231
Other passes	676,103	677,632	1,529	672,882
Tokens	99,268	89,496	(9,772)	102,285
Total	<u>\$ 6,817,925</u>	<u>\$ 6,774,805</u>	<u>\$ (43,120)</u>	<u>\$ 6,706,255</u>

NOTE 16 - COMMITMENTS AND CONTINGENT LIABILITIES

Fiscal year 2015 budget

For the fiscal year 2015, the Authority has approved an operating budget of \$44,697,846 which excludes depreciation expense. This budget includes grant-matching expenditures, which the Authority is required to meet as its share of Federal and State programs.

Federal and State funding

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. As of the date of the financial statements, the Authority is not aware of any expenditure that may be disallowed by a grantor.

Risk management

The Authority is exposed to various risks of loss related to torts, theft, damage and destruction of assets, errors and omissions, natural disasters, and workers compensation claims for which the Authority carries commercial insurance.

Litigation and self insurance

In the normal course of operations, the Authority has been named in various claims and litigation. Based upon information available to counsel and the Authority, management believes that the ultimate outcome from these claims and litigations will not have a material adverse affect on the Authority's financial position

The Authority is self-insured for property damage and personal injury related to operations to a maximum amount of \$750,000 per incident. An excess liability, up to a maximum of \$5 million of losses per policy year, is covered by comprehensive insurance policies. It is the policy of the Authority to record a liability for reported claims as well as claims incurred and not yet reported based on a review of specific claims and incidents. Insurance claims have not exceeded insurance coverage in the past three years. At June 30, 2014, the Authority's insurance claims reserve is \$1,500,000 for the self-insured portion of the risks associated with property damage and personal injury.

A summary of the activity in the claims liability account during the years ended June 30 are as follows:

	2014	2013
Insurance claims reserve, beginning	\$ 1,450,000	\$ 1,450,000
Increase in reserve for claims provisions	496,351	362,592
Claims paid	<u>(446,351)</u>	<u>(362,592)</u>
Insurance claims reserve, ending	<u>\$ 1,500,000</u>	<u>\$ 1,450,000</u>

PIONEER VALLEY TRANSIT AUTHORITY

Required Supplementary Information - Pension Funding Progress

June 30, 2014

Pioneer Valley Transit Authority:

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b - a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	[(b - a)/c] UAAL as a % of Covered Payroll
07/01/10	\$ 2,236,771	\$ 4,063,868	\$ 1,827,097	55%	\$ 1,077,011	170%
07/01/11	\$ 2,838,057	\$ 4,330,438	\$ 1,492,381	66%	\$ 1,073,683	139%
07/01/12	\$ 2,808,954	\$ 4,800,357	\$ 1,991,403	59%	\$ 975,254	204%
07/01/13	\$ 3,260,970	\$ 6,647,589	\$ 3,386,619	49%	\$ 1,169,373	290%
07/01/14	\$ 3,624,135	\$ 8,026,449	\$ 4,402,314	45%	\$ 1,380,267	319%

Springfield Area Transit Company, Inc:

SERP

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b - a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	[(b - a)/c] UAAL as a % of Covered Payroll
07/01/09	\$ 227,867	\$ 450,492	\$ 222,625	51%	N/A	N/A
07/01/10	\$ 642,413	\$ 1,042,673	\$ 400,260	62%	N/A	N/A
07/01/11	\$ 883,712	\$ 1,579,807	\$ 696,095	56%	N/A	N/A
07/01/12	\$ 950,569	\$ 2,150,189	\$ 1,199,620	44%	N/A	N/A
07/01/13	\$ 1,631,318	\$ 2,741,077	\$ 1,109,759	60%	N/A	N/A

Transit Management Plan

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b - a) Unfunded (Surplus) AAL (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	[(b - a)/c] UAAL as a % of Covered Payroll
07/01/09	\$ 773,978	\$ 1,113,468	\$ 339,490	70%	\$ 466,990	73%
07/01/10	\$ 1,032,577	\$ 1,289,881	\$ 257,304	80%	\$ 554,972	46%
07/01/11	\$ 1,405,012	\$ 1,433,661	\$ 28,649	98%	\$ 442,469	6%
07/01/12	\$ 1,535,219	\$ 1,277,669	\$ (257,550)	120%	\$ 493,515	-52%
07/01/13	\$ 1,799,355	\$ 1,763,759	\$ (35,596)	102%	\$ 528,293	-7%

PIONEER VALLEY TRANSIT AUTHORITY

**Required Supplementary Information - Retiree Health Plan Funding Progress
Other Post Employment Benefits**

June 30, 2014

Pioneer Valley Transit Authority Retiree Welfare Plan:

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b - a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	[[b - a]/c] UAAL as a % of Covered Payroll
07/01/09	\$ ---	\$ 4,772,371	\$ 4,772,371	0%	\$ 1,064,727	448%
07/01/10	\$ ---	\$ 2,501,977	\$ 2,501,977	0%	\$ 1,106,502	226%
07/01/11	\$ ---	\$ 2,647,677	\$ 2,647,677	0%	\$ 1,156,295	229%
07/01/12	\$ ---	\$ 2,820,795	\$ 2,820,795	0%	\$ 1,208,328	233%
07/01/14	\$ ---	\$ 2,668,392	\$ 2,668,392	0%	\$ 1,231,462	217%

Springfield Area Transit Company, Inc. - Other Post-Employment Benefits:

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL) Frozen Entry Age	(b - a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	[[b - a]/c] UAAL as a % of Covered Payroll
06/30/10	\$ ---	\$ 17,800,000	\$ 17,800,000	0%	\$ 10,229,063	174%
06/30/11	\$ ---	\$ 18,823,000	\$ 18,823,000	0%	\$ 10,401,243	181%
06/30/12	\$ ---	\$ 19,863,000	\$ 19,863,000	0%	\$ 10,954,027	181%
06/30/13	\$ ---	\$ 21,364,000	\$ 21,364,000	0%	\$ 11,000,931	194%
06/30/14	\$ ---	\$ 22,879,408	\$ 22,879,408	0%	\$ 11,416,115	200%

PIONEER VALLEY TRANSIT AUTHORITY
STATEMENT OF NET COST OF SERVICE
For the Year Ended June 30,

	Total Service Area 2014	Total Service Area 2013
Operating costs		
Administrative costs	\$ 4,008,134	\$ 3,606,669
Purchased services		
Fixed route	29,308,748	28,725,369
Paratransit	8,114,630	7,687,468
Shuttle	263,955	265,008
Debt service	190,238	255,340
Less other post employment benefits required by GASB 45 that will not be funded	(2,138,796)	(2,150,255)
Total operating costs	<u>39,746,909</u>	<u>38,389,599</u>
Operating assistance and revenues		
Federal operating and administrative assistance	5,795,128	4,765,980
Other operating assistance	360,713	110,000
Revenues		
Local revenues		
Fixed route	6,774,805	6,706,255
Paratransit	678,258	668,227
Shuttle	32,226	31,949
Advertising	363,859	227,519
Other income	60,342	65,024
Interest	41,589	32,184
Total operating assistance and revenues	<u>14,106,920</u>	<u>12,607,138</u>
Net operating deficit	25,639,989	25,782,461
Increase (use) in reserve for extraordinary expense	<u>206,801</u>	<u>201,757</u>
Net cost of service	<u>\$ 25,846,790</u>	<u>\$ 25,984,218</u>
Local assessments	\$ 7,065,703	\$ 6,893,369
State contract assistance	<u>18,781,087</u>	<u>19,090,849</u>
Total	<u>\$ 25,846,790</u>	<u>\$ 25,984,218</u>

Nonreimbursable depreciation and losses on disposed assets originally purchased with capital grant funding are not included in the eligible expenses above.



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CERTIFIED PUBLIC ACCOUNTANTS

Established 1938

Richard F. LaFleche, CPA
 Vincent T. Viscuso, CPA
 Gary J. Moynihan, CPA
 Carol Leibinger-Healey, CPA
 David M. Irwin, Jr., CPA

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Advisory Board of the
PIONEER VALLEY TRANSIT AUTHORITY
 2808 Main Street
 Springfield, MA 01107

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Pioneer Valley Transit Authority, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Pioneer Valley Transit Authority's basic financial statements, and have issued our report thereon dated September 15, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Pioneer Valley Transit Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Pioneer Valley Transit Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Pioneer Valley Transit Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pioneer Valley Transit Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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September 15, 2014